Who Is the Customer in Higher Education?

Student-Directed Aid, Institutional Incentives, and a Testable Path to Accountability

Di Tran University | College of Humanization
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Institutional disclosure: Prepared in response to Di Tran's policy question, with AI-assisted research and drafting. This is a narrative evidence synthesis and proposed evaluation framework, not a peer-reviewed paper, doctoral dissertation, original causal study, or legal determination. Di Tran is associated with Louisville Beauty Academy; this creates a relevant institutional interest. The standards proposed here apply equally to LBA and competing providers. No cited author or agency endorses this paper.

Abstract

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Who receives the payment is not necessarily the person education should serve. This paper examines whether public student-aid arrangements can weaken learners' practical bargaining power by making institutional access to funding more consequential than the experience of an individual student. The literal proposition that all aid-funded schools have a single customer—the government—is rejected: students choose among eligible institutions, borrowers can bear repayment obligations, and public funding is not a single homogeneous revenue stream. A narrower proposition is defensible and testable: when funding eligibility, information asymmetry, and costly exit dominate the relationship, accountability may tilt away from learners. Selected research finds evidence of tuition responses to aid, while other research identifies benefits to completion and earnings. Neither establishes that moving money to a student account automatically improves education. We propose a safeguarded student-directed funding pilot, distinguish payment custody from effective choice, specify counterfactuals and measurable outcomes, and treat institutional failure as a scenario rather than an inevitable national collapse.

1. The argument worth testing

Public money should increase a student's power to obtain a worthwhile education—not merely increase an institution's ability to collect payment. This is our normative position. It does not require a claim that educators lack compassion. Incentives concern what an organization must do to survive, what its systems measure, and which parties can impose consequences.

Individual teachers can care deeply while operating within arrangements that make it difficult to respond to students.

Three questions must be separated. Who ultimately finances the transaction? Who chooses the provider and bears the consequences? Who can withhold, redirect, recover, or condition payment? A federal grant, a student loan, a state appropriation, an employer payment, and a household's savings answer these questions differently. Labeling them all "government income" obscures the mechanism a reform must change.

Our hypothesis is therefore conditional: greater reliance on eligibility-dependent funding, combined with weak learner exit rights and poor information, can reduce responsiveness to student preferences. This paper does not estimate that effect. Demonstrating it would require comparable institutions, a credible source of variation in funding arrangements, and student-experience measures that are independent of marketing.

2. What the existing payment system actually does

The 2026–27 Federal Student Aid Handbook describes school-account credits and direct payments as disbursement methods. It explains that most schools first credit funds to the institutional account and then pay any credit balance to the student or parent. The operational rules depend on the aid program and circumstances. Thus, "students never receive their aid" is incorrect; so is equating all disbursed aid with tuition retained by a school. [1]

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Federal loan counseling distinguishes money applied to institutional charges from remaining proceeds paid to the borrower. Loans are financing, not a price reduction. A household may face less cash due today while taking on obligations tomorrow. [2]

For analysis, separate grants from loans, aid awarded from funds received, funds received from tuition retained, and institutional revenue from profit. Do not divide an aid-awards series by an unrelated fiscal-year revenue total and call the result a regulatory funding-dependence ratio. Student refunds, returns, timing and definitions matter. These are measurement requirements for this proposed research, not newly calculated findings.

Accreditation, state authorization and aid eligibility are different concepts. [9] This paper does not assert that every accredited beauty school participates in federal aid. Nor does it assume that a nonparticipating school is cheaper, better, or safer. A credible comparison must measure those outcomes.

3. What research supports—and what it does not

3.1 Tuition capture is a serious empirical question

Cellini and Goldin's study compares aid-eligible and nonparticipating for-profit institutions using

state administrative data. The cited author-hosted edition reports tuition about 78 percent higher in comparable eligible sub-baccalaureate programs. This is historical comparative evidence, not a current national beauty-school markup, a profit margin, or proof of a particular school's motives. Differences in institutions and participation must remain part of the interpretation. [3]

Lucca, Nadauld and Shen exploit changes in federal loan limits to study tuition responses. The New York Fed's revised staff-report summary reports approximately 60 cents of tuition pass-through per dollar of increased subsidized-loan maximum, with smaller positive effects for unsubsidized loans. This estimate is specific to that design and historical setting. It does not imply that 60 percent of every Pell award is captured or that every college responds identically. [4]

3.2 Aid can also improve opportunity

Denning, Marx and Turner study a discontinuity in Pell generosity using Texas public-college administrative records. Their study finds increased completion and subsequent earnings among affected first-time students at four-year institutions. This provides an important counterweight: public aid can generate real student benefits. It is not evidence about cosmetology specifically or a trial of direct-to-student payment custody. [5]

Eng and Matsudaira use discontinuities and kinks in the federal grant schedule across a much broader recipient population. Their published abstract reports smaller average completion and earnings effects than prominent state-specific studies and identifies interactions with state aid as a possible explanation. Context matters; a successful result in one setting is not a universal parameter. Full subscription text was not reviewed for this edition. [6]

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3.3 Synthesis

Both propositions can be true: aid can expand opportunity, and providers can absorb some of an aid expansion through prices. They concern different margins. The relevant policy objective is not simply "more aid" or "less government." It is more verified educational value and usable choice per public and household dollar. The cited studies do not test our proposed funding architecture. Any claim that it will improve quality remains a hypothesis.

4. From payment custody to meaningful control

Moving dollars into a learner's bank account changes custody. It does not necessarily change bargaining power. A provider might raise prices, require immediate assignment of the funds, impose switching costs, or offer the only nearby program compatible with a working parent's schedule. A student could control the transfer button yet still lack a realistic alternative.

We propose five dimensions of meaningful control: clear prices before commitment; understandable obligations; a feasible ability to change provider; independent help with disputes; and enforceable consequences for nondelivery. These are design criteria, not a validated index. Giving them a numerical score before testing reliability would create false precision.

Competition also needs supply. If no second provider is accessible, a voucher alone does not create one. Transportation, disability access, childcare, language support and work schedules belong in the evaluation because they can determine whether nominal choice becomes usable choice. A reform that improves the experience of well-resourced students while excluding others would not meet the humanization objective.

5. A safeguarded student-directed model

Proposal, not current entitlement: establish a limited pilot in which eligible learners receive a transparent funding allocation, independently verified provider information, and a practical ability to authorize and redirect future payments within legally approved limits. It is not a proposal to distribute unrestricted federal funds under existing rules without authorization.

First, make the allocation legible. Show grant support, borrowing, living-cost support, provider charges and remaining eligibility separately. Display the full mandatory program price alongside any conditional discounts. Do not present a loan balance as a scholarship or advertise an uncertain price as unconditional.

Second, separate learner support from provider invoices. Design living-cost payments so students can meet basic needs, while provider payments correspond to clearly defined delivery periods. The pilot must not require financially vulnerable learners to advance tuition and wait for reimbursement.

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Third, use independently administered payment authorization. A learner should be able to identify an incorrect charge and receive help without confronting the same office that controls access to instruction. Automatic release schedules, accessible notices and a dispute process are preferable to requiring a student to approve every classroom hour.

Fourth, make exit workable. Specify how undelivered funding, earned learning, records and approved training hours are handled when a student transfers or a provider closes. Portability cannot be promised where licensing authorities or receiving schools do not recognize the training. Obtain those agreements before advertising the pilot.

Fifth, protect educational integrity. Learners must not be able to purchase a passing grade by threatening payment. Assessments need independent standards, appeals and evidence. Student satisfaction and demonstrated competence are distinct outcomes; both deserve attention, neither substitutes for the other.

Sixth, protect against exploitation. Guard against coerced fund assignment, identity fraud, aggressive third-party recruitment and steering by paid intermediaries. Make complaints accessible without a smartphone. Preserve privacy and collect only information needed for administration and evaluation.

Seventh, recognize real provider costs. Schools need instructors, facilities and predictable working capital. A staged-payment system should not arbitrarily starve a good provider or reward

only inexpensive-to-serve students. Set terms prospectively, allow documented appeals and audit both provider claims and administrative performance.

6. A numerical illustration—not a savings forecast

Consider two hypothetical providers offering an equivalent, legally recognized pathway. Provider A charges $18,000, the learner has $6,000 in nonrepayable support, and the remaining tuition gap is $12,000. Provider B charges $10,000 with the same support, leaving $4,000. The difference is $8,000 before living costs, financing costs, completion probabilities and foregone earnings. These are invented teaching numbers, not LBA prices or observed market averages.

The comparison fails if the support cannot be used at B, if credentials differ, or if B's schedule prevents the learner from earning needed income. It also fails if an advertised lower price excludes mandatory charges. Portable support is valuable only when it reaches a genuinely comparable, accessible option.

A pilot budget must include student support, provider payments, administration, fraud controls, independent evaluation, dispute resolution and closure protection. Economic benefit should be assessed against the cost of those functions, not merely against the volume of dollars redirected. Cost per additional completer equals incremental public cost divided by additional completions attributable to the intervention; a zero or negative completion gain does not justify a positive cost-effectiveness claim.

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7. How to test the proposal credibly

The most informative design would compare eligible volunteers under usual arrangements with students offered the safeguarded model, where lawful and ethically approved. If feasible, randomize at a level that limits spillovers, such as eligible program groups or geographic clusters. A third arm offering better disclosure and counseling without payment redesign would help separate the effect of information from the effect of funding control.

Specify primary outcomes and analysis before implementation. Track all assigned participants, not just successful completers. Measure outcomes at enrollment, withdrawal or completion, and later follow-up periods suitable to the program. Publish attrition, missing data, implementation deviations and adverse events. Assignment effects and effects among actual users are different estimates.

Primary measures should include net mandatory price, debt incurred, independently verified competency, completion, successful transfer and consumer harm. Secondary measures can include response time, resolved complaints, student understanding, licensure where applicable and subsequent employment or earnings. Earnings require a defined cohort, period and data coverage; administrative earnings are not automatically a full measure of every self-employed person's economic activity.

Disaggregate access and outcomes using privacy-preserving methods. Examine whether providers avoid students needing extra support, whether rural alternatives disappear, and whether complaint activity reflects safer reporting rather than worse treatment. Do not equate fewer complaints with higher quality without examining reporting access.

If randomization is infeasible, a phased rollout may support a difference-in-differences analysis, but comparable pretrends, concurrent policy changes and spillovers must be investigated. A regression discontinuity requires a genuine assignment threshold and enough observations near it. Naming a method does not create credible identification.

Before launch, an independent evaluator should estimate sample size from expected baseline outcomes, a policy-relevant minimum effect, clustering and attrition. This paper supplies no fabricated power calculation. A pilot too small to detect meaningful effects should be described as feasibility research.

8. Why beauty education is a useful—but bounded—case

Beauty education offers a practical setting for examining price, training duration, practical skill, licensing and consumer understanding together. It is not a proxy for the whole American education system. Different licenses, states and institutional arrangements require separate comparisons.

Our earlier DTU public-record work examined accreditation, funding and historical school records. This paper adds a distinct contribution: an operational student-control proposal and a prospective evaluation design. It does not reproduce historical school rankings or use a closure case as evidence that every aid-funded provider fails students. [7] [8]

LBA should face the same disclosure, competency, refund and outcome standards proposed for other schools. Institutional affiliation is not evidence of effectiveness. Free supplemental learning can help a person explore a subject, but it is not automatically approved training, a transferable hour, a credential, or an alternative legal route to licensure.

9. Will American education collapse?

The evidence reviewed here does not establish an inevitable collapse of American education. That claim would require a defined meaning of collapse, a population, a time horizon, exposure measures and a tested forecasting model. Closure, consolidation, enrollment decline, reduced access and institutional restructuring are different outcomes.

A narrower risk scenario is plausible: an institution with concentrated funding exposure, weak reserves and limited ability to adjust costs could be vulnerable if eligibility, enrollment or financing conditions change. That is financial reasoning, not a finding that any named school meets those conditions.

Test the scenario using reconciled revenue sources, liquidity, fixed costs, debt covenants, enrollment sensitivity and teach-out commitments. Do not predict failure from accreditation status or aid participation alone. Reform should protect learners during disruption, not treat their interrupted education as proof that an ideological prediction was correct.

10. A policy agenda that respects students and taxpayers

Start with comparable written prices and understandable debt disclosures. Then establish usable dispute and transfer processes. Only then test changes in payment control with clear authority, consumer protection and independent evaluation. This sequence reduces the risk of mistaking a new financial interface for a new educational relationship.

The strongest version of the original intuition is not that schools have only one customer. It is that **students should never become secondary in a system financed in their name.** Government can protect access and public funds while learners gain more usable control. The policy task is to design those powers together and test whether they improve learning, affordability and dignity.

Methods, boundaries and reproducibility

This is a purposive narrative review, not a systematic review or meta-analysis. Searches on November 23, 2026 targeted federal disbursement guidance, aid-related tuition responses and causal grant-outcome studies. Primary government guidance, author-hosted research and publisher/research-institution summaries were prioritized. Sources [1]–[6] support the factual core; [7]–[8] are contextual DTU records, not independent corroboration. Some findings were available through abstracts or summaries; no claim of full-text review of every cited study is made.

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No original student microdata, school financial audit, national closure model or state-by-state legal analysis was produced. Historical estimates are not current forecasts. Federal handbook guidance was checked in the 2026–27 edition; future legal or program changes require rechecking. State aid rules vary and are not comprehensively reviewed here. The proposed payment design requires program-specific legal analysis and any necessary legislative or administrative authority.

For replication, retain study version, population, treatment, comparison, outcome, time horizon and limitations; do not combine incompatible estimates into a single “aid capture rate.” An eventual empirical study should register its protocol and publish code and de-identified aggregates when lawful. Individual records must remain protected.

References and source-reading map

[1] U.S. Department of Education. *2026–2027 Federal Student Aid Handbook, Volume 4, Chapter 2: Disbursing Title IV Funds.* Current operational guidance; relevant disbursement sections reviewed. Read source.

[2] Federal Student Aid. *Direct Loan Entrance Counseling Guide.* Borrower-oriented explanation; used only for the charges/remaining-proceeds distinction. Read source.

[3] Cellini, Stephanie Riegg, and Claudia Goldin. 2014. "Does Federal Student Aid Raise Tuition? New Evidence on For-Profit Colleges." *American Economic Journal: Economic Policy* 6(4):174–206. DOI: 10.1257/pol.6.4.174. Author-hosted edition consulted; 78% estimate from that edition, not the earlier working-paper abstract's 75%. Author-hosted paper.

[4] Lucca, David O., Taylor Nadauld, and Karen Shen. *Credit Supply and the Rise in College Tuition: Evidence from the Expansion in Federal Student Aid Programs.* New York Fed Staff Report 733, July 2015; revised February 2017. Institutional research summary reviewed. Report and summary.

[5] Denning, Jeffrey T., Benjamin M. Marx, and Lesley J. Turner. 2019. "ProPelled: The Effects of Grants on Graduation, Earnings, and Welfare." *American Economic Journal: Applied Economics* 11(3):193–224. IZA working-paper record and summary reviewed. Research record.

[6] Eng, Amanda, and Jordan Matsudaira. 2021. "Pell Grants and Student Success: Evidence from the Universe of Federal Aid Recipients." *Journal of Labor Economics* 39(S2):S413–S454. DOI: 10.1086/712556. Publisher abstract reviewed; full text not reviewed. Publisher record.

[7] Di Tran University. *The Accreditation Paradox: Funding Access Is Not Proof of Student Value.* Contextual institutional commentary. Read.

[8] Di Tran University. *Five Marinello Beauty Schools Before Closure: Revenue, Federal Aid and Student-Loan Defaults.* Historical public-record analysis; not a representative industry sample. Read.

[9] U.S. Department of Education. *2026–2027 Federal Student Aid Handbook, Volume 2, Chapter 1: Institutional Eligibility.* Basic eligibility criteria reviewed. Read source.

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